

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
JANUARY 17, 2008, BOARD MEETING**

BOARD MEMBERS PRESENT: Mike Gessner, President
Clarence Corneil, Trustee
Kim Franz, Trustee
Lowell Latimer, Vice President
Wayne Sanstead, State Superintendent
Kelly Schmidt, State Treasurer
Bob Toso, Trustee

STAFF PRESENT: Steve Cochrane, Executive Director
Fay Kopp, Deputy Executive Director
Les Mason, Internal Audit Supervisor
Darlene Roppel, Administrative Assistant
Dottie Thorsen, Internal Auditor

OTHERS PRESENT: Erica Cermak, NDRTA
Girish Budhwar, DPI
Tom Decker, DPI
Dr. Warren Henke, Retired
Doug Johnson, NDCEL
Bev Nielson, NDSBA
Gary Rath, NDEA
Ruth Stefanowicz, NDEA-Retired
Ken Tupa, NDRTA
Aaron Webb, Attorney General's Office

PUBLIC HEARING ON PROPOSED ADMINISTRATIVE RULES:

The North Dakota Retirement and Investment Office (RIO)/Teachers' Fund for Retirement (TFFR) held a public hearing in the Ft. Union Room of the State Capitol on Thursday, January 17, 2008, to address proposed amendments to the North Dakota Administrative Code, Article 82, Sections 02-Definition; 03-Participation; 05-Retirement Benefits; 07-Disability Benefits; and 10-Right to Formal Hearing and Appeal.

Mr. Mike Gessner, President of the TFFR Board of Trustees, acted as the hearing officer and opened the public hearing at 1:07 p.m. The public hearing was called for the purpose of allowing all interested individuals an opportunity to submit information concerning the proposed amendments.

There were no comments made by members of the public or interest groups during the public hearing.

It was noted the record would be held open for written comment until January 31, 2008.

President Gessner closed the hearing at 1:11 p.m.

CALL TO ORDER:

President Gessner called the TFFR board meeting to order at 1:12 p.m.

THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM: PRESIDENT GESSNER, MR. CORNEIL (via teleconference), MRS. FRANZ, DR. LATIMER, DR. SANSTEAD, TREASURER SCHMIDT, AND MR. TOSO.

MINUTES:

The Board considered the minutes of the November 15, 2007, board meeting.

TREASURER SCHMIDT MOVED AND MR. TOSO SECONDED TO APPROVE THE MINUTES OF THE NOVEMBER 15, 2007, BOARD MEETING.

AYES: TREASURER SCHMIDT, MRS. FRANZ, DR. SANSTEAD, MR. TOSO, PRESIDENT GESSNER, DR. LATIMER, AND MR. CORNEIL.

NAYS: NONE

MOTION CARRIED.

BOARD EDUCATION:

Mr. Tom Decker, Director of Finance, Department of Public Instruction (DPI), presented information entitled "North Dakota Demographics--How Our Changing Population Will Impact Elementary and Secondary Education." His presentation outlined declines in overall ND population, declines in student enrollment, declines in number of school districts, and increases in special education population. Mr. Decker discussed the impact that baby boomers reaching retirement age will have on staffing and anticipated teacher shortages in the future. He also described how regional education associations allow for the sharing of teachers, technology, and other services to enable ND school districts to offer quality education. A copy of Mr. Decker's presentation is on file at RIO.

The Board discussed how changing ND demographics will affect TFFR membership in the future.

The Board recessed at 2:10 p.m. and reconvened at 2:15 p.m.

ANNUAL RETIREMENT TRENDS AND PROJECTIONS REPORT:

Mrs. Fay Kopp, Deputy Executive Director, presented the 2008 Retirement Trends and Projections Report. She stated that TFFR has 11,482 active and inactive vested TFFR members. Of the 10,069 active TFFR members, 1,173 are currently eligible to retire. Based on ratios of 30% and 40% of actual retirements to eligible retirements, approximately 3,900 to 4,300 active members are projected to retire in the next ten years which is about 900 more than in the last decade. Board discussion followed. A copy of the presentation is on file at RIO.

DR. SANSTEAD MOVED AND TREASURER SCHMIDT SECONDED TO APPROVE THE 2008 RETIREMENT TRENDS AND PROJECTIONS REPORT AS PRESENTED.

AYES: PRESIDENT GESSNER, MR. TOSO, DR. LATIMER, TREASURER SCHMIDT, MR. CORNEIL, DR. SANSTEAD AND MRS. FRANZ

NAYS: NONE

MOTION CARRIED.

PENSION PLAN COMPARISONS:

Mrs. Kopp presented a comparison of TFFR to the Public Fund Survey conducted by National Council on Teacher Retirement (NCTR)/National Association of State Retirement Administrators (NASRA) for fiscal year 2006. The survey provided information on funding levels, investments, membership changes, contribution rates, benefit formulas, and actuarial assumptions. She also commented on a survey received at the NCTR Trustee Workshop conducted by Minnesota TRA. The presentation and surveys are on file at RIO.

Board discussion followed.

INVESTMENT UPDATE:

Mr. Steve Cochrane, Executive Director, reviewed the agenda for the January 18, 2008 State Investment Board (SIB) meeting. TFFR's investment return fiscal year-to-date is estimated at about -5%.

ACTUARIAL CONTRACT:

Mrs. Kopp reviewed the December 19, 2007, proposal from Gabriel Roeder Smith & Company (GRS) to extend their actuarial consulting contract with TFFR for an additional two years. After board discussion,

DR. LATIMER MOVED AND MRS. FRANZ SECONDED TO APPROVE GRS' ACTUARIAL CONTRACT AND FEE PROPOSAL FOR AN ADDITIONAL TWO YEARS TO END JUNE 30, 2010.

AYES: MR. CORNEIL, DR. SANSTEAD, DR. LATIMER, PRESIDENT GESSNER, TREASURER SCHMIDT, MR. TOSO AND MRS. FRANZ.

NAYS: NONE

MOTION CARRIED.

The Board recessed at 3:10 p.m. and reconvened at 3:20 p.m.

2009 LEGISLATIVE PLANNING:

President Gessner thanked the following interest group representatives for their attendance and input on 2009 legislative proposals: Doug Johnson, Executive Director of North Dakota Council of Educational Leaders (NDCLE), Bev Nielson, Legislative Director for the North Dakota School Board Association (NDSBA), Ken Tupa, Executive Director of the North Dakota Retired Teachers Association (NDRTA), and Gary Rath, Business Manager of the North Dakota Education Association (NDEA).

The purpose of the round table discussion was to discuss and make recommendations on legislative proposals to be submitted by the TFFR Board to the Legislative Council Employee Benefits Program Committee (EBPC) for study by the April 1, 2008 deadline.

Mrs. Kopp presented a preliminary list of topics relating to possible benefit, contribution and administrative changes. Discussion centered around the possibility of an ad hoc benefit increase for retirees, specifically a 13th check payment in January 2010 or 2011. Mrs. Kopp reviewed the January 9, 2008 letter from TFFR's actuary describing the actuarial effect on TFFR if a 13th check were paid to retirees. Mrs. Kopp also reviewed projections of TFFR's future funding level and margin based on various future investment return scenarios.

Board members and interest group representatives discussed possible funding sources for a 13th check, including the TFFR fund or state's general fund surplus. They considered various triggers if a 13th check was funded by TFFR, potential actuarial impact on TFFR, and investment and funding issues.

After a lengthy discussion, it was the general consensus of the group that the TFFR Board should not sponsor a bill to increase retiree benefits until TFFR is able to fund such an increase using TFFR assets and without negatively impacting the financial soundness of the plan.

Mrs. Kopp also discussed the definition of salary, bonus payments, and other issues relating to pension padding and pension spiking. The Board asked that this topic continue to be researched and recommendations for administrative rule changes be brought forward at a later meeting.

Board members agreed the following administrative changes should also be made:

- 1) Reenact all federal references relating to Internal Revenue Code compliance.
- 2) Update Section 415 requirements.
- 3) Clarify retiree re-employment provision relating to employment as a non-contracted substitute teacher.
- 4) Extend confidentiality provisions to allow disclosure of retirement information in limited cases similar to North Dakota Public Employees Retirement System (NDPERS).

The Board directed Mrs. Kopp and Mr. Webb to prepare a bill draft for review at the March meeting.

Interest group representatives left the meeting at 4:40 p.m.

CONSENT AGENDA:

TREASURER SCHMIDT MOVED AND MR. TOSO SECONDED TO APPROVE THE CONSENT AGENDA WHICH INCLUDED TWO PERMANENT DISABILITY APPLICATIONS.

AYES: MRS. FRANZ, TREASURER SCHMIDT, PRESIDENT GESSNER, DR. LATIMER, DR. SANSTEAD, MR. CORNEIL, AND MR. TOSO.

NAYS: NONE

MOTION CARRIED.

OTHER:

Mrs. Kopp updated the Board on implementation of the new service purchase cost calculation method and factors. She reported that the winter newsletter included an article notifying all members. The actuary has provided the new tables and worksheets necessary to program into TFFR's pension administration system.

Mrs. Kopp commented on travel reimbursement requirements.

The next board meeting will be held on March 13, 2008.

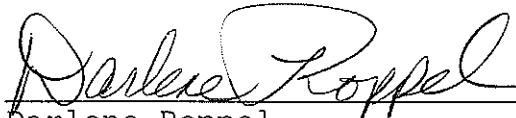
ADJOURNMENT:

With no further business to come before the Board, President Gessner adjourned the meeting at 4:50 p.m.

Respectfully Submitted:



Mr. Mike Gessner, President
Teachers' Fund for Retirement Board



Darlene Roppel
Reporting Secretary